

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

Rev. Rul. 96-31, page 4.

LIFO; price indexes; department stores. The April 1996 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, April 30, 1996.

Rev. Rul. 96-32, page 5.

Involuntary conversion of a residence; deduction for qualified residence interest. If a principal residence is destroyed, and the land portion is later sold, gain on the sale may be deferred under section 1033(a) if the requirements of that section are met. Taxpayers may continue to deduct otherwise deductible mortgage interest on a destroyed residence during a reasonable period between the destruction of the residence and its sale or reconstruction and reoccupation.

EXEMPT ORGANIZATIONS

Announcement 96-59, page 22.

A list is given of organizations now classified as private foundations.

ADMINISTRATIVE

Notice 96-35, page 8.

As part of the President's Regulatory Reinvention Initiative, certain listed regulations have been identified as obsolete. Public comments are requested.

PS-5-96, page 17.

Proposed regulations under section 708 of the Code relate to the termination of a partnership upon the sale or exchange of 50 percent or more of the total interest in partnership capital and profits.

Rev. Proc. 96-35, page 8.

Magnetic/Electronic Media Filing Program; Form 1040NR. Participants in the 1996 Magnetic/Electronic Media Filing Program for Form 1040NR, U.S. Nonresident Alien Income Tax Return, are informed of their obligations to the Service and other participants.

Announcement 96-57, page 20.

The schedule, agenda and registration information for the 1996 Information Reporting Seminars for magnetic/electronic filing is published. Members of the public may register to attend one or more of these seminars.

Announcement 96-58, page 21.

T.D. 8658, 1996-14 I.R.B. 13, relating to the determination of the interest expense deduction of foreign corporations, is corrected.

Finding Lists begin on page 27.

Announcement of Disbarments and Suspensions begins on page 24.

Mission of the Service

The purpose of the Internal Revenue Service is to collect the proper amount of tax revenue at the least cost; serve the public by continually improving the

quality of our products and services; and perform in a manner warranting the highest degree of public confidence in our integrity, efficiency and fairness.

Statement of Principles of Internal Revenue Tax Administration

The function of the Internal Revenue Service is to administer the Internal Revenue Code. Tax policy for raising revenue is determined by Congress.

With this in mind, it is the duty of the Service to carry out that policy by correctly applying the laws enacted by Congress; to determine the reasonable meaning of various Code provisions in light of the Congressional purpose in enacting them; and to perform this work in a fair and impartial manner, with neither a government nor a taxpayer point of view.

At the heart of administration is interpretation of the Code. It is the responsibility of each person in the Service, charged with the duty of interpreting the law, to try to find the true meaning of the statutory provision and not to adopt a strained construction in the belief that he or she is "protecting the revenue." The revenue is properly protected only when we ascertain and apply the true meaning of the statute.

The Service also has the responsibility of applying and administering the law in a reasonable, practical manner. Issues should only be raised by examining officers when they have merit, never arbitrarily or for trading purposes. At the same time, the examining officer should never hesitate to raise a meritorious issue. It is also important that care be exercised not to raise an issue or to ask a court to adopt a position inconsistent with an established Service position.

Administration should be both reasonable and vigorous. It should be conducted with as little delay as possible and with great courtesy and considerateness. It should never try to overreach, and should be reasonable within the bounds of law and sound administration. It should, however, be vigorous in requiring compliance with law and it should be relentless in its attack on unreal tax devices and fraud.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents of a permanent nature are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of

other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

With the exception of the Notice of Proposed Rulemaking and the disbarment and suspension list included in this part, none of these announcements are consolidated in the Cumulative Bulletins.

The first Bulletin for each month includes an index for the matters published during the preceding month. These monthly indexes are cumulated on a quarterly and semiannual basis, and are published in the first Bulletin of the succeeding quarterly and semi-annual period, respectively.

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.

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Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 163.—Interest

If a principal residence is destroyed and either the remaining land portion is sold or the dwelling is reconstructed and reoccupied within a reasonable period of time after the destruction or damage, is the property treated as a qualified residence under § 163(h) during the period between the destruction of the residence and its sale or reconstruction and reoccupation as a qualified residence? See Rev. Rul. 96-32, page 5.

Section 472.—Last-in, First-out Inventories

26 CFR 1.472-1: Last-in, first-out inventories.

LIFO; price indexes; department

stores. The April 1996 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, April 30, 1996.

Rev. Rul. 96-31

The following Department Store Inventory Price Indexes for April 1996 were issued by the Bureau of Labor Statistics on May 14, 1996. The indexes are accepted by the Internal Revenue Service, under § 1.472-1(k) of the Income Tax Regulations and

Rev. Proc. 86-46, 1986-2 C.B. 739, for appropriate application to inventories of department stores employing the retail inventory and last-in, first-out inventory methods for tax years ended on, or with reference to, April 30, 1996.

The Department Store Inventory Price Indexes are prepared on a national basis and include (a) 23 major groups of departments, (b) three special combinations of the major groups — soft goods, durable goods, and miscellaneous goods, and (c) a store total, which covers all departments, including some not listed separately, except for the following: candy, foods, liquor, tobacco, and contract departments.

BUREAU OF LABOR STATISTICS, DEPARTMENT STORE INVENTORY PRICE INDEXES BY DEPARTMENT GROUPS (January 1941 = 100, unless otherwise noted)

Groups	Apr 1995	Apr 1996	Percent Change from Apr 1995 to Apr 1996 ¹
1. Piece Goods.....	485.2	528.6	8.9
2. Domestics and Draperies.....	642.6	655.0	1.9
3. Women's and Children's Shoes.....	639.1	658.2	3.0
4. Men's Shoes.....	919.0	899.6	-2.1
5. Infants' Wear.....	613.8	640.9	4.4
6. Women's Underwear.....	540.1	538.5	-0.3
7. Women's Hosiery.....	281.3	285.7	1.6
8. Women's and Girls' Accessories.....	545.3	554.9	1.8
9. Women's Outerwear and Girls' Wear.....	448.3	430.9	-3.9
10. Men's Clothing.....	613.4	625.7	2.0
11. Men's Furnishings.....	573.0	590.3	3.0
12. Boys' Clothing and Furnishings.....	494.1	491.2	-0.6
13. Jewelry.....	1024.3	1036.3	1.2
14. Notions.....	779.7	785.1	0.7
15. Toilet Articles and Drugs.....	850.8	883.3	3.8
16. Furniture and Bedding.....	649.4	672.2	3.5
17. Floor Coverings.....	570.2	571.1	0.2
18. Housewares.....	778.8	802.9	3.1
19. Major Appliances.....	245.7	246.8	0.4
20. Radio and Television.....	85.4	79.6	-6.8
21. Recreation and Education ²	114.2	113.7	-0.4
22. Home Improvements ²	122.7	125.7	2.4
23. Auto Accessories ²	106.9	107.3	0.4
Groups 1-15: Soft Goods.....	604.0	608.2	0.7
Groups 16-20: Durable Goods.....	465.7	468.8	0.7
Groups 21-23: Misc. Goods ²	114.1	114.1	0.0
Store Total ³	556.6	560.1	0.6

¹Absence of a minus sign before percentage change in this column signifies price increase.

²Indexes on a January 1986=100 base.

³The store total index covers all departments, including some not listed separately, except for the following: candy, foods, liquor, tobacco, and contract departments.

DRAFTING INFORMATION

The principal author of this revenue ruling is Stan Michaels of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Michaels on (202) 622-4970 (not a toll-free call).

Section 1033.—Involuntary Conversions

26 CFR 1.1033(a)–3: *Involuntary conversion of a principal residence.*
(Also §§ 163, 1034; 1.1034–1(c)(3).)

Involuntary conversion of a residence; deduction for qualified residence interest. If a principal residence is destroyed, and the land portion is later sold, the sale is treated as part of the involuntary conversion of the residence, if the requirements of section 1033(a) are met. Taxpayers may continue to deduct otherwise deductible mortgage interest on a destroyed residence during a reasonable period between the destruction of the residence and its sale or reconstruction and reoccupation.

Rev. Rul. 96–32

ISSUES

(1) If the dwelling portion of the taxpayer's principal residence is destroyed and the remaining land portion of the principal residence is subsequently sold within the period described in § 1033(a)(2)(B) of the Internal Revenue Code, is the sale treated as part of the involuntary conversion of the principal residence to which § 1033(a) may apply to defer recognition of gain realized on the sale?

(2) If the taxpayer subsequently sells the remaining land portion of the principal residence described above or reconstructs the destroyed dwelling and reoccupies it as the taxpayer's principal residence within a reasonable period of time after the destruction, is the property treated as a qualified residence under § 163(h) during the period between the destruction of the dwelling and the sale or reoccupancy?

FACTS

Situation (1)—A's principal residence (within the meaning of §§ 1034

and 163(h)(4)(A)(i)(I)) was destroyed in September 1991 by a tornado that was subsequently declared a disaster by the President. In the same year, A received insurance proceeds of \$120x for the destruction of the dwelling. A's adjusted basis in the property (land and improvements) was \$100x. A did not rebuild the dwelling, but instead sold the land for \$10x in November 1993. In March 1995, A purchased another home for \$130x and used it as A's principal residence.

Situation (2)—B's principal residence (within the meaning of §§ 1034 and 163(h)(4)(A)(i)(I)) was destroyed in December 1991 by an earthquake that was subsequently declared a disaster by the President. Because the widespread destruction in the region resulted in a severe shortage of available equipment, materials, and skilled labor, B was not able to begin reconstruction of the dwelling until June 1993. Upon its completion in October 1994, B reoccupied the reconstructed dwelling and used it as B's principal residence. During the period from the earthquake until B reoccupied the reconstructed dwelling, B lived in rental housing.

In *Situations (1)* and (2), the residences were encumbered by mortgages securing debts the interest on which was qualified residence interest under § 163(h)(3)(A) prior to the disaster. Had the residences not been destroyed, they would have continued to qualify as principal residences under § 163(h)(4)(A)(i)(I). After the destruction of their principal residences, A and B continued to make payments of principal and interest on their mortgage debts.

LAW AND ANALYSIS—ISSUE (1)

Section 1033(a)(2)(A) provides, in part, that if property (as a result of its destruction in whole or in part, theft, seizure, or requisition or condemnation or threat or imminence thereof) is compulsorily or involuntarily converted into money, which in turn is used to purchase (within the period specified in § 1033(a)(2)(B)) property similar or related in service or use to the converted property, gain will be recognized only to the extent that the amount realized upon the conversion exceeds the cost of the replacement property.

Section 1033(a)(2)(B) provides that the period for replacing converted

property generally shall be the period beginning on the date of the disposition of the converted property and ending 2 years after the close of the taxable year in which any part of the gain is realized. However, § 1033(h)(1)(B), added by § 13431 of the Omnibus Budget Reconciliation Act of 1993, provides that if a principal residence is compulsorily or involuntarily converted as a result of a Presidentially declared disaster, § 1033(a)(2)(B) shall be applied by substituting "4 years" for "2 years." For this purpose, § 1033(h)(3) generally provides that the term "principal residence" has the same meaning as when used in § 1034. Section 1033(h) is effective for property converted as a result of disasters determined after August 31, 1991, to be Presidentially declared disasters, and for taxable years ending after that date.

Section 1033(b) provides that the basis of property acquired in a transaction that resulted in nonrecognition of gain under § 1033(a)(2) shall be the cost of the property acquired reduced by the amount of the gain not so recognized.

Section 1.1033(a)–3 of the Income Tax Regulations provides, in part, that § 1033 shall apply in the case of property that the taxpayer uses as the taxpayer's principal residence if its destruction occurs after December 31, 1953. Thus, the nonrecognition of gain provided by § 1034 is not applicable if a principal residence is destroyed and replacement property is acquired.

Section 1.1034–1(c)(3) provides that whether property is used by the taxpayer as a principal residence under § 1034 depends upon all the facts and circumstances in each case, including the good faith of the taxpayer.

In Rev. Rul. 76–541, 1976–2 C.B. 246, a taxpayer owned and resided in a house situated on an undivided parcel of land containing 10 acres, all of which the taxpayer used as the principal residence. During a particular year, the taxpayer sold the dwelling and three immediately surrounding acres at a gain. Later in the same year, the taxpayer sold two more acres at a gain. The taxpayer constructed a new principal residence on the taxpayer's remaining five acres within the period provided under § 1034. Rev. Rul. 76–541 holds that § 1034 applies to defer recognition of the total gain realized on both sales, and that a single replacement period under § 1034(a) (deter-

mined with reference to the date of the first sale) applies. Rev. Rul. 76-541 treats the dwelling and the ten acres of surrounding land as the taxpayer's principal residence. The sale of the first three acres and the dwelling did not alter the "principal residence" character of the two-acre portion of land that was later sold during the applicable replacement period.

Consistent with the integral nature of a taxpayer's principal residence for § 1034 purposes, § 1.165-7(b)(2)(ii) provides that, in determining the amount of a casualty loss for residential real property and improvements thereon (such as buildings and landscaping), the improvements are considered an integral part of the residential property so that no separate basis need be apportioned to such improvements. Cf. § 1.165-7(b)(2)(i) (a loss incurred in a trade or business or in any transaction entered into for profit is determined by reference to the separate fair market value and basis of each single, identifiable property damaged or destroyed).

In *Situation (1)*, A realized \$120x of insurance proceeds upon the 1991 conversion of the dwelling. A may offset the entire \$100x basis in the property against the amount realized, consistent with the nonapportionment of basis for the computation of casualty loss deductions on residential real property under § 1.165-7(b)(2)(ii). Thus, A realized a gain from the insurance proceeds of \$20x and A's basis in the property is reduced to \$0x.

A thereafter realized an additional \$10x of gain on the 1993 sale of the land, for a total gain of \$30x on the property. Because the principal residence of A before the disaster consisted of both the dwelling and the land that was later sold by A after the destruction of the dwelling, A's sale of that land will be treated as part of a single involuntary conversion of A's principal residence that occurred on the date the dwelling was destroyed. Thus, § 1033, and not § 1034, will apply to defer recognition of A's \$30x gain.

For purposes of this § 1033 deferral, A's period for purchasing replacement property under § 1033(a)(2)(B) and (h)(1)(B) begins on the date that the dwelling is destroyed and ends 4 years after the close of the taxable year in which gain is first realized. Because A purchased a new principal residence within this period at a cost (\$130x) that

was not less than the sum of the insurance proceeds (\$120x) and the sales proceeds (\$10x), A may defer recognition of the entire \$30x gain. A's basis in the new principal residence is \$100x (\$130x cost less \$30x unrecognized gain).

LAW AND ANALYSIS—ISSUE (2)

Section 163(a) allows a deduction for all interest paid or accrued within the taxable year on indebtedness. Section 163(h)(1) generally provides that, in the case of taxpayers other than a corporation, no deduction is allowed for personal interest. Section 163(h)-(2)(D) specifically excludes from the definition of the term "personal interest" any qualified residence interest.

Section 163(h)(3)(A) provides that the term "qualified residence interest" means any interest paid or accrued during the taxable year on acquisition or home equity indebtedness with respect to any qualified residence of the taxpayer. Section 163(h)(4)(A)(i) defines the term "qualified residence" to mean (I) the taxpayer's principal residence, within the meaning of § 1034, and (II) one other residence of the taxpayer selected by the taxpayer for purposes of § 163(h) for the taxable year and used by the taxpayer as a residence.

In *Situation (1)*, A's property will continue to be treated as a qualified residence under § 163(h) for purposes of A's deduction of the interest that A paid on the mortgage debt until the date on which A sold the property.

In *Situation (2)*, B began and completed reconstruction of the dwelling, and reoccupied it as B's principal residence, all within a reasonable period of time after it was destroyed. Accordingly, B's property will continue to be treated as a qualified residence under § 163(h) for purposes of B's deduction for the interest that B paid on the mortgage debt during that period. See H.R. Rep. No. 99-426, 99th Cong., 1st Sess. 299 (1985), 1986-3 C.B. (Vol. 2) 299 (accompanying the Tax Reform Act of 1986, which enacted § 163(h)).

HOLDINGS

(1) If the dwelling portion of the taxpayer's principal residence is destroyed and the remaining land portion of the principal residence is subse-

quently sold within the period described in § 1033(a)(2)(B), the sale is treated as part of the involuntary conversion of the principal residence to which § 1033(a) applies to defer recognition of gain realized on the sale if the requirements of that section are met.

(2) If the taxpayer subsequently sells the land portion of the principal residence described above within a reasonable period of time after the destruction, the property will continue to be treated as a qualified residence under § 163(h) during the period between the destruction of the dwelling and the sale of land. Likewise, if the taxpayer reconstructs the destroyed dwelling and reoccupies it as the taxpayer's principal residence within a reasonable period of time after the destruction, the property will continue to be treated as a qualified residence under § 163(h) during that period.

Holdings (1) and (2) apply whether or not the destruction occurred in connection with a Presidentially declared disaster. These holdings also apply if the property is a second residence within the meaning of § 163(h)(4)(A)(i)(II).

EFFECT ON OTHER DOCUMENTS

Rev. Rul. 74-206, 1974-1 C.B. 198, is clarified to provide that, in the context of a casualty involving a taxpayer's residence, a taxpayer need not allocate the basis of the taxpayer's residence between the house and the land to compute a § 165 casualty loss deduction or the gain eligible for deferral under § 1033, but instead may use the aggregate basis of the house and the land.

DRAFTING INFORMATION

The principal author of this revenue ruling is George Wright of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Wright on (202) 622-4950 (not a toll-free call).

Section 1034.—Rollover of Gain on Sale of Principal Residence

26 CFR 1.1034-1(c)(3): Property used by the taxpayer as his principal residence.

If a principal residence is destroyed and either the remaining portion is sold or the dwelling is

reconstructed and reoccupied, within a reasonable period of time after the destruction or damage, is the property treated as a principal residence within the meaning of § 1034, and therefore as a qualified residence under § 163(h) during a reasonable period between the destruction of the dwelling and its sale or reconstruction and reoccupation as a qualified residence? See Rev. Rul. 96–32, page 5.

Section 6012.—Persons required to Make Returns of Income

26 CFR 1.6012–5: Composite return in lieu of specified form.

What are the requirements for participation in the 1996 Magnetic/Electronic Media Filing Program for the Form 1040NR, U.S. Nonresident Alien Income Tax Return? See Rev. Proc. 96–35, page 8.

Section 6061.—Signing of Returns and Other Documents

26 CFR 1.6061–1: Signing of returns and other documents by individuals.

What are the requirements for participation in the 1996 Magnetic/Electronic Media Filing Program for the Form 1040NR, U.S. Nonresident Alien Income Tax Return? See Rev. Proc. 96–35, page 8.

Part III. Administrative, Procedural, and Miscellaneous

Regulatory Reinvention Initiative— Request For Comments

Notice 96–35

As part of the President’s Regulatory Reinvention Initiative, the Treasury Department and the Internal Revenue Service have identified obsolete regulations that relate to prior law, provide

elections for prior years, or are otherwise outdated due to changes in the underlying statutory provisions. The Treasury Department and the Internal Revenue Service believe that the regulations listed below should be withdrawn or removed.

Public comments are requested prior to August 1, 1996, regarding whether any of these regulations should be

retained. Comments should be addressed to Office of Chief Counsel, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Attn: CC:CORP:R (Regulatory Reinvention Initiative), Room 5228, Washington, D.C. 20044. For further information, contact Philip Bennet, (202) 622-3926 (not a toll-free number).

SECTION

1.921–1T(c)

1.1502–81T

5c.103–1, 5c.103–2 and 5c.103–3

SUBJECT

Export Trade Corporations

Alaskan Native Corporations

Leases and industrial development bonds; Leases and arbitrage; Special rules for leases

FEDERAL REGISTER CITE AND PROJECT NUMBER

44 FR 31228 (5/31/79) (EE–16–78)

40 FR 18798 (4/30/75)

44 FR 31228 (5/31/79) (EE–16–78)

44 FR 31228 (5/31/79) (EE–16–78)

40 FR 18798 (4/30/75)

44 FR 31228 (5/31/79) (EE–16–78)

40 FR 18798 (4/30/75)

40 FR 18798 (4/30/75)

SECTION

1.402(a)–1

1.402(e)–2

1.402(e)–14

1.403(a)–1

1.403(a)–2

1.405–3

SUBJECT

Taxability of beneficiary under a trust which meets the requirements of section 401(a)

Treatment of certain lump sum distributions made after 1973

Election to treat pre-1974 participation as post-1973 participation (the “402(e)(4)(L) election”)

Taxability of beneficiary under a qualified annuity plan

Capital gains treatment for certain distributions

Taxation of retirement bonds

*26 CFR 601.602: Tax forms and instructions.
(Also Part I, Sections 6012, 6061; 1.6012–5, 1.6061–1.)*

Rev. Proc. 96–35

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SECTION 1. PURPOSE

This revenue procedure informs those who participate in the Magnetic Media/Electronic Filing Program for Form 1040NR, U.S. Nonresident Alien Income Tax Return ("1040NR Program"), of their obligations to the Internal Revenue Service, taxpayers, and other participants. This revenue procedure updates Rev. Proc. 95-22, 1995-1 C.B. 686.

SECTION 2. BACKGROUND AND CHANGES

.01 Section 1.6012-5 of the Income Tax Regulations provides that the Commissioner may authorize the use, at the option of a person required to make a return, of a composite return in lieu of any form specified in 26 CFR Part 1 (Income Tax), subject to the conditions, limitations, and special rules governing the preparation, execution, filing, and correction thereof as the Commissioner may deem appropriate.

.02 For purposes of this revenue procedure, a magnetically or electronically filed Form 1040NR is a composite return consisting of data transmitted on magnetic tape, floppy disk, or via modem ("transmitted media"), and certain paper documents. The non-transmitted media paper portion of the return consists of a Form 8453-NR, U.S. Nonresident Alien Income Tax Declaration for Magnetic Media Filing, and other paper documents that cannot be filed on transmitted media. Form 8453-NR must be received by the Service before any composite return is complete. A composite return must contain the same information that a return filed completely on paper contains. See section 7 of this revenue procedure for procedures for completing Form 8453-NR.

.03 The Magnetic Media Project Office ("Project Office", see section 17 of this revenue procedure for address and telephone numbers) will periodically issue a list of the forms and schedules that can be magnetically or electronically filed, as well as forms, schedules, and other information that cannot be magnetically or electronically filed.

.04 A tax return with a zero balance, balance due, or refund due may be filed on transmitted media.

.05 A tax return cannot be filed on transmitted media after December 2, 1996, notwithstanding the fact that the taxpayer has been granted an extension to file beyond that date. Form 2688, Application for Additional Extension of Time To File U.S. Individual Income Tax Return, cannot be filed on transmitted media.

.06 An amended tax return cannot be filed on transmitted media. A taxpayer must file an amended tax return on paper in accordance with the instructions for Form 1040X, Amended U.S. Individual Income Tax Return.

.07 Upon request, the Project Office will provide technical information (i.e., file specifications, record layouts, and testing procedures) for transmitted media filing.

.08 This revenue procedure updates Rev. Proc. 95-22, which applied to the 1040NR Program for the 1995 filing season. The updates include changes in the 1040NR Program for the 1996 filing season, clarifications of prior 1040NR Program statements, and additional guidance derived from other Service documents that relate to the 1040NR Program. Some of these updates are:

(1) Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, may now be filed on transmitted media;

(2) a 1040NR Filer must complete the necessary testing at least 30 days before the 1040NR Filer may submit a tax return (section 4.03);

(3) a 1040NR Filer may not base a fee for submission of transmitted media returns on the amount of taxes saved (section 5.05);

(4) a 1040NR Filer must submit a revised Form MAR-8980, Application for Magnetic Media Filing of Form 1040NR, if there is a change to the 1040NR Filer's business address (section 5.07);

(5) a 1040NR Filer must notify the Service when it discontinues participation in the 1040NR Program (section 5.08);

(6) additions are provided to the responsibilities of a 1040NR Return Originator (sections 5.11(5) and 5.13);

(7) a Software Developer may not incorporate into its software a Service-assigned production password (section 5.18);

(8) procedures are provided for submitting balance due returns (section 10);

(9) a 1040NR Filer must adhere to all relevant federal, state, and local consumer protection laws that relate to advertising and soliciting (section 11.02);

(10) a 1040NR Filer may be suspended for having more than one MTFIN for the same business entity at the same location unless the Service has issued more than one MTFIN to a business entity (section 12.05(9)); and

(11) the two-year period for denial or suspension is clarified (section 12.08).

SECTION 3. TRANSMITTED MEDIA FILING PARTICIPANTS—DEFINITIONS

.01 After acceptance into the 1040NR Program, as described in section 4 of this revenue procedure, a participant is referred to as "1040NR Filer."

.02 A 1040NR Filer is categorized as follows:

(1) 1040NR RETURN ORIGINATOR. A "1040NR Return Originator" is either (a) a "1040NR Return Preparer" who prepares tax returns, including Forms 8453-NR, for taxpayers who intend to have their returns magnetically or electronically filed; or (b) a "1040NR Return Collector" who accepts completed tax returns, including Forms 8453-NR, from taxpayers who intend to have their returns magnetically or electronically filed.

(2) SERVICE BUREAU. A "Service Bureau" receives tax return information on any media from a 1040NR Filer, formats the return information, and either forwards the return information to a Transmitter or sends back the return information to the 1040NR Filer. A Service Bureau may or may not process Forms 8453-NR and send them to the Project Office. A Service Bureau does not transmit returns directly to the Service.

(3) SOFTWARE DEVELOPER. A "Software Developer" develops software for the purposes of (a) formatting returns according to the Service's transmitted media return specifications; and/or (b) filing transmitted media returns directly with the Service. A Software Developer may also sell its software.

(4) TRANSMITTER. A “Transmitter” accepts a transmitted media tax return from a 1040NR Filer and submits the return directly to the Service.

.03 The 1040NR Filer categories are not mutually exclusive. For example, a 1040NR Return Originator can, at the same time, be considered a Transmitter, Software Developer, or Service Bureau depending on the function(s) performed.

SECTION 4. ACCEPTANCE INTO THE 1040NR PROGRAM

.01 To be accepted into the 1040NR Program, an applicant must:

(1) file a properly completed application using Form MAR-8980 with the Project Office, unless previously accepted into the 1040NR Program;

(2) successfully complete the necessary testing with the Project Office if the applicant intends to file transmitted media returns or has developed software for formatting or filing transmitted media returns; and

(3) receive a letter of acceptance into the 1040NR Program.

.02 Once accepted into the 1040NR Program, a 1040NR Filer must, for each year that it intends to submit returns on transmitted media:

(1) submit a revised Form MAR-8980 if there is any change to the information previously submitted on that form.

(2) successfully complete the necessary testing with the Project Office if the 1040NR Filer intends to file transmitted media returns or has developed software for formatting or filing transmitted media returns; and

(3) receive a letter confirming that the 1040NR Filer may submit tax returns for the current filing season.

.03 A 1040NR Filer may only submit actual tax returns beginning 30 days after successfully completing the necessary testing.

.04 The following reasons may result in a rejection of an application to participate in the 1040NR Program (this list is not all-inclusive):

(1) conviction of any criminal offense under the revenue laws of the United States, or of any offense involving dishonesty or breach of trust;

(2) failure to file timely and accurate business or personal tax returns;

(3) failure to timely pay personal or business tax liabilities;

(4) assessment of penalties;

(5) suspension/disbarment from practice before the Service;

(6) other facts or conduct of a disreputable nature that would reflect adversely on the 1040NR Program;

(7) misrepresentation on an application;

(8) suspension or rejection from the 1040NR Program in a prior year;

(9) unethical practices in return preparation;

(10) stockpiling returns (see section 5.06 of this revenue procedure) prior to official acceptance into the 1040NR Program;

(11) knowingly and directly or indirectly employing or accepting assistance from any person who has been denied acceptance into the 1040NR Program or is suspended from that Program. This includes any individual whose actions resulted in the rejection or suspension of a corporation or a partnership from that Program; or

(12) knowingly and directly or indirectly accepting employment as an associate, correspondent, or subagent from, or sharing fees with, any person who has been denied acceptance into the 1040NR Program or is suspended from that Program. This includes any individual whose actions resulted in the rejection or suspension of a corporation or a partnership from that Program.

SECTION 5. RESPONSIBILITIES OF A 1040NR FILER

.01 To ensure that complete returns are accurately and efficiently filed, a 1040NR Filer must comply with all publications and notices of the Service. Currently, these publications and notices include:

(1) Procedures for Magnetic Media Filing of U.S. Nonresident Alien Income Tax Returns, Form 1040NR (available from the Project Office); and

(2) File Specifications and Record Layouts for Magnetic Media Filing of U.S. Nonresident Alien Income Tax Returns, Form 1040NR (available from the Project Office).

.02 A 1040NR Filer must ensure that no other entity uses its assigned Magnetic Tape 1040NR Filer Identification Number (MTFIN). A MTFIN cannot be transferred by sale, loan, gift, or otherwise to another entity.

.03 A 1040NR Filer must maintain a high degree of integrity, compliance, and accuracy.

.04 A 1040NR Filer may only accept a return for transmitted media filing directly from a taxpayer or from a 1040NR Return Originator.

.05 If a 1040NR Filer charges a fee for the submission of a transmitted media tax return, the fee may not be based on a percentage of the refund amount or on the amount of taxes saved. A 1040NR Filer may not charge a separate fee for Direct Deposit. See section 9 of this revenue procedure for a discussion of Direct Deposit.

.06 A 1040NR Filer is responsible for ensuring that stockpiling does not occur. Prior to official acceptance of the 1040NR Filer into the 1040NR Program, stockpiling means collecting returns from taxpayers. After official acceptance, stockpiling means:

(1) in the case of a 1040NR Return Originator, waiting for more than three days after receiving the necessary information to submit a return to a Transmitter, or

(2) in the case of a Transmitter, waiting for more than ten days after receiving the necessary information to submit a transmitted media tax return to the Service.

.07 A previously accepted 1040NR Filer must submit a revised Form MAR-8980 to update information when there is any change to:

(1) the Firm name or Doing Business As (DBA) name;

(2) the business mailing address;

(3) the contact representative's name or telephone number; or

(4) the transmitted media filing category.

.08 A 1040NR Filer must notify the Project Office within 14 days of discontinuing its participation in the 1040NR Program.

.09 A 1040NR Filer must ensure that a transmitted media return is filed on or before the due date of the tax return. A tax return is not considered filed until the transmitted media portion of the tax return is acknowledged by the Service as accepted for processing and a completed and signed Form 8453-NR is received by the Service. However, if the transmitted media portion of a return is successfully transmitted on or shortly before the due date and the taxpayer complies with section 7.01 of this revenue procedure, the return will be deemed timely filed. If the transmitted media portion of a return is initially transmitted on or shortly before the due

date and is ultimately rejected, but the taxpayer complies with section 5.13 of this revenue procedure, the return will be deemed timely filed. In the case of a balance due return, see section 10 of this revenue procedure for instructions on how to make a timely payment of tax.

.10 A 1040NR Filer must ensure that the return for any individual is received by the Service on or before:

(1) April 15 if the individual was an employee and received wages subject to U.S. federal income tax withholding; or

(2) June 15 if the individual did not receive such wages. However, section 2.05 of this revenue procedure provides that a transmitted media return cannot be filed after December 2, 1996.

.11 A 1040NR Return Originator must:

(1) comply with the procedures for completing Form 8453-NR described in section 7 of this revenue procedure;

(2) furnish the taxpayer with a copy of the signed Form 8453-NR and, in the case of a prepared or corrected return, the non-transmitted media portions of the return;

(3) retain the following material until the end of the calendar year in which the transmitted media return was filed, unless otherwise notified by the Service:

(a) a copy of the signed Form 8453-NR, Forms W-2, W-2G, Certain Gambling Winnings, and 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., and the non-transmitted media portion of the taxpayer's return;

(b) a complete copy of the magnetically or electronically transmitted portion of the taxpayer's return (may be retained on computer media) that can be readily and accurately converted into a transmitted media that the Service can process; and

(c) the acknowledgement file received from the Service or from a Transmitter;

(4) upon request by the Service for the materials described in section 5.11(3) of this revenue procedure, make those materials available to the Service at the business address from which a return was accepted for transmitted media filing; and

(5) identify the paid preparer (if any) in the appropriate field of the

transmitted media return, in addition to ensuring that the paid preparer signed Form 8453-NR. If Form 8453-NR is not signed by the paid preparer, the 1040NR Return Originator must attach a copy of pages one and two of a completed Form 1040NR that includes the paid preparer's signature. These copies must be marked "COPY-DO NOT PROCESS" to prevent duplicate filings.

.12 A 1040NR Return Originator who is also the paid preparer of a transmitted media return must comply with § 1.6107-1(b). This section of the regulations describes the tax return materials that must be retained and the retention periods for these materials.

.13 If the transmitted media portion of a taxpayer's return is acknowledged as rejected by the Service, and the reason for the rejection cannot be rectified by making nonsubstantive changes as described in section 6.02(3) of this revenue procedure, the 1040NR Return Originator must notify the taxpayer within one work day by mail that the taxpayer's return has not been filed. If the taxpayer chooses to have the rejected return resubmitted on transmitted media, and the 1040NR Return Originator successfully works with the Project Office to correct the problems causing the return to be rejected, the return will be accepted as timely filed. A new Form 8453-NR may be required (see section 7 of this revenue procedure). However, even when no new Form 8453-NR is required, the Transmitter must submit a photocopy of the original Form 8453-NR with the rejected file or return and mark the photocopy "Retransmitted." If the Project Office determines that a transmitted media return cannot be accepted for processing or the taxpayer chooses not to have the rejected return resubmitted on transmitted media, the taxpayer must file a paper return. If the due date (with regard to any extensions of time to file) of the return has passed, the taxpayer must file a paper return within ten days of the rejection along with an explanation of why the return is being filed after the due date. A paper return filed in good faith under any of these circumstances will be accepted as timely filed.

.14 A 1040NR Return Originator must use the taxpayer's address in the transmitted media portion of the return. In addition, a 1040NR Return Originator must not put its address as the taxpayer's address in the transmitted media portion of the return.

.15 A Service Bureau must:

(1) deliver all transmitted media returns to a Transmitter or to the 1040NR Return Originator who gave the transmitted media returns to the Service Bureau within three days of receipt;

(2) retrieve the acknowledgement file from the Transmitter within one day of being informed of the receipt by the Transmitter;

(3) initiate the communication of the acknowledgement file to the 1040NR Return Originator (whether related or not) within one work day of retrieving the acknowledgement file;

(4) if the Service Bureau processes Form 8453-NR, send back to the 1040NR Return Originator any return and Form 8453-NR that needs correction, unless the correction is described in section 7.02(3) of this revenue procedure;

(5) accept tax return information only from a 1040NR Return Originator who is in good standing in the 1040NR Program;

(6) include its MTFIN and the 1040NR Return Originator's MTFIN in the transmission of all tax return information;

(7) retain each acknowledgement file received from a Transmitter until the end of the calendar year in which the transmitted media return was filed;

(8) if requested, serve as a contact point between its client 1040NR Return Originator and the Service; and

(9) if requested, provide the Service with a list of each client 1040NR Return Originator.

.16 A Transmitter must:

(1) transmit all transmitted media returns within ten days of receipt and forward the acknowledgement files to the 1040NR Return Originators or the Service Bureau within five days after receipt of the acknowledgments from the Service;

(2) match the acknowledgement file to the original transmission file and resubmit any return that was not acknowledged as accepted for processing after necessary corrections are made within seven days of receiving the acknowledgement file;

(3) contact the Project Office for assistance if a return has been rejected after three attempts, or if an acknowledgement is received for a return that was not in the original submission;

(4) ensure the security of all transmitted data;

(5) promptly correct any transmission error that causes a transmitted media return to be rejected; and

(6) retain an acknowledgement file received from the Service until the end of the calendar year in which the transmitted media return was filed.

(7) immediately contact the Project Office for further instructions if an acknowledgement of a transmitted media return's acceptance for processing has not been received by the Transmitter within 14 days of transmission or if a Transmitter receives an acknowledgment for a return that was not transmitted on the designated transmission.

.17 A Transmitter who provides transmission services to another 1040NR Filer must, in addition to the items covered in section 5.16 of this revenue procedure, also:

(1) only accept a transmitted media return for transmission to the Service from an accepted 1040NR Filer;

(2) provide each client with the acknowledgement file for the transmitted return within five days after receipt of the acknowledgment from the Service; and

(3) use its assigned MTFIN when filing returns.

.18 A Software Developer must:

(1) promptly correct any software error that causes a transmitted media return to be rejected; and

(2) promptly distribute any software correction made to its software packages to all 1040NR Filers utilizing these packages.

(3) not incorporate into its software a Service-assigned production password.

.19 In addition to the specific responsibilities described in this section, a 1040NR Filer must meet all the requirements of this revenue procedure to keep the privilege of participating in the 1040NR Program.

SECTION 6. PENALTIES

.01 Penalties for Disclosure or Use of Information.

(1) A 1040NR Filer, except a Software Developer, is a tax return preparer ("Preparer") under the definition of § 301.7216-1(b) of the Regulations on Procedure and Administration. A Preparer is subject to a criminal penalty for disclosure or use of tax return information, as described in

§ 301.7216-1(a). In general, that regulation provides that any preparer who discloses or uses any tax return information for a purpose other than preparing, assisting in preparing, or obtaining or providing services in connection with the preparation of a tax return is guilty of a misdemeanor. In addition, § 6713 of the Internal Revenue Code provides for civil penalties that may be assessed against a preparer who makes an unauthorized disclosure or use of tax return information.

(2) Under § 301.7216-2(h), disclosure of tax return information among accepted 1040NR Filers for the purpose of preparing a return is permissible. For example, it is permissible for a 1040NR Return Originator to pass on tax return information to a Service Bureau and/or a Transmitter for the purpose of having a transmitted media return formatted and filed with the Service. However, if the tax return information is disclosed or used in any other way, a Service Bureau and or a Transmitter may be guilty of a misdemeanor as described in paragraph (1) above.

.02 Other Preparer Penalties.

(1) Preparer penalties may be asserted against an individual or firm who meets the definition of an income tax return preparer under §§ 7701(a)(36) and 301.7701-15. Examples of preparer penalties that may be asserted under appropriate circumstances include, but are not limited to, those set forth in §§ 6694, 6695, and 6713.

(2) Under § 301.7701-15(d), 1040NR Return Collectors, Service Bureaus, Software Developers, and Transmitters are not income tax return preparers for the purpose of assessing most preparer penalties as long as their services are limited to "typing, reproduction, or other mechanical assistance in the preparation of a return or claim for refund."

(3) If a 1040NR Return Collector, Service Bureau, Software Developer, or Transmitter alters the return information in a nonsubstantive way, this alteration will be considered to come under the "mechanical assistance" exception described in § 301.7701-15(d)-(1). A nonsubstantive change is a correction or change limited to a transposition error, misplaced entry, spelling error, or arithmetic correction that falls within one of the following tolerances:

(a) the Total Tax amount, Total Payments amount, Refund amount, or the Amount You Owe shown on Form 8453-NR differs from the corresponding amount on the transmitted media return by no more than \$7;

(b) the Total Income amount shown on Form 8453-NR differs from the corresponding amount on the transmitted media return by no more than \$25; or

(c) dropping cents and rounding to whole dollars.

(4) If a 1040NR Return Collector, Service Bureau, or Transmitter alters the return information in a substantive way, rather than having the taxpayer alter the return, the 1040NR Return Collector, Service Bureau, or Transmitter will be considered to be an income tax return preparer for purposes of § 7701(a)(36).

(5) If a 1040NR Return Collector, Service Bureau, Transmitter, or the product of a Software Developer, goes beyond mechanical assistance, any of these parties may be held liable for income tax return preparer penalties. Rev. Rul. 85-189, 1985-2 C.B. 341, describes a situation where a Software Developer was determined to be an income tax return preparer and subject to certain preparer penalties.

.03 In addition to the above specified provisions, the Service reserves the right to assert all appropriate civil and criminal penalties, including preparer, nonpreparer, and disclosure penalties, against a 1040NR Filer as warranted under the circumstances.

SECTION 7. FORM 8453-NR, U.S. NONRESIDENT ALIEN INCOME TAX DECLARATION FOR MAGNETIC MEDIA FILING

.01 Procedures for Completing Form 8453-NR.

(1) Form 8453-NR must be completed in accordance with the instructions for Form 8453-NR.

(2) The taxpayer's name, address, taxpayer identification number, tax return information, and direct deposit of refund information in the transmitted media submission must be identical to the information on the Form 8453-NR that the taxpayer signed and provided for submission to the Service.

(3) After the transmitted media return has been prepared and before the return is submitted, the taxpayer must

verify the information on the transmitted media return and on Form 8453–NR and sign Form 8453–NR. An easily readable file copy of the prepared return must be provided to the taxpayer at the time of signature.

(4) A 1040NR Filer must submit a Form 8453–NR to the Project Office with each magnetically or electronically filed return. A single Form 8453–NR (inscribed with the language “See attached Multiple Return Information Listing”) may be used for a multiple return filing if the person who signs Form 8453–NR has authorization, either by a specific power of attorney or as a responsible representative or agent under § 1.6012–3(b) of the Income Tax Regulations, to sign each of the returns included in the multiple return filing. A person who makes a multiple return filing must attach to Form 8453–NR an information page(s) titled “Form 8453–NR for Multiple Returns—Tax Return Information Listing” at the top of the page(s). Below the title, the multiple return 1040NR Filer must provide his or her name and address. The next item on the page(s) must be a list that includes every taxpayer’s name control, taxpayer identification number, and the information shown on lines one through five on Form 8453–NR, for each return included in a multiple return filing.

(5) If a 1040NR Filer functions as a 1040NR Return Originator, the 1040NR Filer must sign the 1040NR Return Originator’s Declaration on Form 8453–NR.

(6) If the 1040NR Filer is also the paid preparer, the 1040NR Filer must check the “Paid Preparer” box and sign the 1040NR Return Originator Declaration on Form 8453–NR.

.02 Corrections to Form 8453–NR.

(1) If the 1040NR Return Originator makes changes to a transmitted media return after Form 8453–NR has been signed by the taxpayer, but before it is transmitted, the 1040NR Return Originator must have all the necessary parties described above sign a new Form 8453–NR with the corrections if either of the following applies:

(a) the “Total Tax” (Form 8453–NR, line 2), the “Refund” (Form 8453–NR, line 4), or the “Amount Owed” (Form 8453–NR, line 5) differs from the amount on the transmitted media return by more than \$7; or

(b) the “Total Income” (Form 8453–NR, line 1) differs from the

amount on the transmitted media return by more than \$25.

(2) A new Form 8453–NR is not required for a nonsubstantive change. A nonsubstantive change is limited to a correction within the above tolerances for an arithmetic error, transposition error, misplaced entry, or a spelling error. The incorrect nonsubstantive information must be neatly lined through on Form 8453–NR and the correct data entered next to the lined-through entry. Also, the initials or the name of the person making the correction must be entered.

(3) Dropping cents and rounding to whole dollars does not constitute a substantive change or alteration to the return unless the amount differs by more than the above tolerances. All rounding should be accomplished in accordance with the instructions in the Form 1040NR tax package.

.03 If the Service determines that a Form 8453–NR is missing, the 1040NR Return Originator must provide the Service with a replacement. A 1040NR Return Originator must also provide a copy of any Form(s) W–2, Wage and Tax Statement, W–2G, Certain Gambling Winnings, 1099R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., and all other attachments to the Form 8453–NR.

.04 If a substitute Form 8453–NR is used, it must be approved by the Service prior to use. See Rev. Proc. 95–16, 1995–1 C.B. 525.

SECTION 8. OBLIGATIONS OF A 1040NR RETURN ORIGINATOR TO THE TAXPAYER

.01 A 1040NR Return Originator must:

(1) furnish the taxpayer with a complete paper copy of the transmitted media material that was transmitted to the Service. This information can be contained on a replica of an official form or on an unofficial form. However, on an unofficial form, data entries must be referenced to the line numbers on an official form;

(2) provide the taxpayer with a copy of Form 8453–NR and, in the case of a prepared or corrected return, the non-transmitted media portion of the taxpayer’s return;

(3) advise the taxpayer to retain a complete copy of the return and any supporting material;

(4) advise the taxpayer that an amended return, if needed, must be filed as a paper return and mailed to the Philadelphia Service Center;

(5) upon request, provide the taxpayer with the date the transmitted media portion of the taxpayer’s return was acknowledged as accepted for processing by the Service; and

(6) inform the taxpayer that the address reported on the transmitted media portion of the return, once processed, will be used to update the taxpayer’s address of record. The Internal Revenue Service uses the taxpayer’s address of record for various notices that are required to be sent to a taxpayer’s “last known address” under the Internal Revenue Code and for refunds of overpayments of tax (unless otherwise specifically directed by the taxpayer, such as by Direct Deposit). See Rev. Proc. 90–18, 1990–1 C.B. 491, for additional information about “last known address.”

.02 A 1040NR Return Originator should advise the taxpayer to wait at least three weeks from the acceptance date of the transmitted media tax return before contacting the Service for the status of a refund. If such contact is necessary, the taxpayer should be advised to use the IRS Tele-Tax system.

SECTION 9. DIRECT DEPOSIT OF REFUNDS

.01 The Service will ordinarily process a request for Direct Deposit but reserves the right to issue a paper refund check.

.02 The Service does not guarantee a specific date by which a refund will be directly deposited into the taxpayer’s financial institution account. The taxpayer’s account must be with a financial institution located in the United States.

.03 Neither the Service nor the Financial Management Service (FMS) is responsible for the misapplication of a Direct Deposit that is caused by error, negligence, or malfeasance on the part of the taxpayer, 1040NR Filer, financial institution, or any of their agents.

.04 A 1040NR Return Originator must:

(1) ensure that the taxpayer is aware of all the general information regarding a Direct Deposit;

(2) not charge a separate fee for Direct Deposit;

(3) accept any Direct Deposit election to any eligible financial institution designated by the taxpayer;

(4) ensure that the taxpayer is eligible to choose Direct Deposit;

(5) verify that the Direct Deposit information requested on Part II of Form 8453-NR was entered correctly and that the information entered is the information transmitted on the transmitted media portion of the return;

(6) caution the taxpayer that once a transmitted media return has been accepted for processing by the Service:

(a) the Direct Deposit election cannot be rescinded;

(b) the Routing Transit Number of the financial institution cannot be changed; and

(c) the taxpayer's account number cannot be changed; and

(7) advise the taxpayer to follow the procedures in section 8.02 of this revenue procedure if there is a need to contact the Service about a Direct Deposit request.

SECTION 10. BALANCE DUE RETURNS

.01 A magnetically or electronically filed balance due return is submitted to the Philadelphia Service Center in the same manner that a refund or zero balance return is submitted. A balance due return is not complete unless and until the Service receives a Form 8453-NR completed and signed by the taxpayer.

.02 A taxpayer who magnetically or electronically files a balance due return must make a full and timely payment of any tax that is due. Failure to make full payment of any tax that is due on or before April 15, 1996 (for individuals who were employees and received wages subject to U.S. income tax withholding), or June 15, 1996 (for individuals who did not receive wages as an employee that were subject to U.S. income tax withholding), will result in the imposition of interest and may result in the imposition of penalties.

SECTION 11. ADVERTISING STANDARDS FOR A 1040NR FILER AND A FINANCIAL INSTITUTION

.01 A 1040NR Filer must comply with the advertising and solicitation provisions of 31 C.F.R. Part 10 (Treas-

ury Department Circular No. 230). This circular prohibits the use or participation in the use of any form of public communication containing a false, fraudulent, misleading, deceptive, unduly influencing, coercive, or unfair statement or claim. In addition, advertising must not imply a special relationship with the Service, FMS, or the Treasury Department. Any claims concerning faster refunds by virtue of transmitted media filing must be consistent with the language in official Service publications.

.02 A 1040NR Filer must adhere to all relevant federal, state, and local consumer protection laws.

.03 A 1040NR Filer must not use the Service's name, "Internal Revenue Service," or "IRS" within a firm's name.

.04 A 1040NR Filer must not use improper or misleading advertising in relation to the 1040NR Program (including the time frames for refunds).

.05 Use of Direct Deposit name and logo.

(1) The name "Direct Deposit" will be used with initial capital letters or all capital letters.

(2) The logo/graphic for Direct Deposit will be used whenever feasible in advertising copy.

(3) The color or size of the Direct Deposit logo/graphic may be changed when used in advertising pieces.

.06 Advertising materials must not carry the FMS, IRS, or other Treasury seals.

.07 Advertising for a cooperative transmitted media return project (public/private sector) must clearly state the names of all cooperating parties.

.08 If a 1040NR Filer uses radio or television broadcasting to advertise, the broadcast must be pre-recorded. The 1040NR Filer must keep a copy of the pre-recorded advertisement for a period of at least 36 months from the date of the last transmission or use.

.09 If a 1040NR Filer uses direct mail or fax communications to advertise, the 1040NR Filer must retain a copy of the actual mailing or fax, along with a list or other description of persons to whom the communication was mailed, faxed, or otherwise distributed for a period of at least 36 months from the date of the last mailing, fax, or distribution.

.10 Acceptance to participate in the 1040NR Program does not imply en-

dorsement by the Service or FMS of the software or quality of services provided.

SECTION 12. MONITORING AND SUSPENSION OF A 1040NR FILER

.01 The Service will monitor a 1040NR Filer for conformity with this revenue procedure. The Service can immediately suspend, without notice, a 1040NR Filer from the 1040NR Program. However, in most circumstances, a suspension from participation in the 1040NR Program is effective as of the date of the letter informing the 1040NR Filer of the suspension. Before suspending a 1040NR Filer, the Service may issue a warning letter that describes specific corrective action for deviations from this revenue procedure.

.02 The Service will monitor the timely receipt of Forms 8453-NR, as well as their overall legibility.

.03 The Service will monitor the quality of the 1040NR Filer's submissions throughout the filing season. The Service will also monitor transmitted media returns and tabulate rejections, errors, and other defects. If quality deteriorates, the 1040NR Filer may receive a warning from the Service.

.04 The Service will monitor complaints about a 1040NR Filer and issue a warning or suspension letter as appropriate.

.05 The Service reserves the right to suspend the transmitted media filing privilege of any 1040NR Filer who violates any provision of this revenue procedure. Generally, the Service will advise a suspended 1040NR Filer concerning the requirements for reacceptance into the 1040NR Program. The following reasons may lead to a warning letter and/or suspension of a 1040NR Filer from the 1040NR Program (this list is not all-inclusive):

(1) the reasons listed in section 4.04 of this revenue procedure;

(2) deterioration in the format of individual submissions;

(3) unacceptable cumulative error or rejection rate;

(4) untimely received, illegible, missing, or unapproved substitute Forms 8453-NR;

(5) stockpiling of returns while participating in the 1040NR Program;

(6) failure on the part of a Transmitter to provide clients with acknowledgement files within five days after receipt from the Service;

(7) significant complaints about a 1040NR Filer's performance in the 1040NR Program;

(8) failure on the part of a 1040NR Filer to ensure that no other entity uses its assigned MTFIN;

(9) having more than one MTFIN for the same business entity at the same location (the business entity is generally the entity that reports on its return the income derived from transmitted media filing), unless the Service has issued more than one MTFIN to a business entity;

(10) failure on the part of a 1040NR Filer to cooperate with the Service's efforts to monitor 1040NR Filers and investigate transmitted media filing abuse;

(11) failure on the part of a 1040NR Filer to properly use the standard/non-standard W-2 indicator;

(12) failure on the part of a Transmitter to use its assigned MTFIN when filing returns;

(13) failure on the part of the Transmitter to include a Service Bureau's MTFIN in the transmission of a return submitted by a Service Bureau;

(14) failure on the part of a Service Bureau or a Transmitter to include the 1040NR Return Originator's MTFIN as part of a return that the 1040NR Return Originator submits to the Service Bureau or the Transmitter;

(15) violation of the advertising standards described in section 11 of this revenue procedure;

(16) failure to maintain and make available records as described in section 5.11(3) and (4) of this revenue procedure;

(17) accepting a tax return for transmitted media filing either directly or indirectly from a person (other than the taxpayer who is submitting his or her return) who is not in the 1040NR Program;

(18) submitting the transmitted media portion of the return with information that is not identical to the information on the Form 8453-NR;

(19) failure to timely pay any applicable fees, as implemented by subsequent guidance; or

(20) filing returns before February 15, 1996, with any form of substitute Form W-2 or wage and tax documentation.

.06 The Service will list in the Internal Revenue Bulletin, district office listings, district office newsletters,

and on the EFS Bulletin Board, the name of any entity that is suspended from the 1040NR Program and the effective date of that suspension.

.07 A suspension from participation in the 1040NR Program or a revocation of the privilege to participate in the 1040NR Program is effective as of the date of the letter informing the 1040NR Filer of the suspension or revocation.

.08 Most denials and suspensions of participation in the 1040NR Program will result in:

(1) a rejected applicant not being reconsidered for participation in the 1040NR Program for at least two filing seasons; and

(2) a suspended 1040NR Filer not being reconsidered for participation in the 1040NR Program for at least two years. For purposes of this section 12.08, two years means the remaining months in the calendar year of denial of participation or suspension and the following two calendar years.

SECTION 13. ADMINISTRATIVE REVIEW PROCESS FOR DENIAL OF PARTICIPATION IN THE 1040NR PROGRAM

.01 An applicant who has been denied participation in the 1040NR Program has the right to an administrative review. During the administrative review process, the denial of participation remains in effect.

.02 In response to the submission of a Form MAR-8980, the Service will either (1) accept an applicant into the 1040NR Program, or (2) issue a proposed letter of denial that explains to the applicant why the Service proposes to reject the application to participate in the 1040NR Program.

.03 An applicant who receives a proposed letter of denial may respond, in writing, to the Project Office. The applicant's response must address the Project Office's explanation for proposing the denial to participate. The Project Office must receive the applicant's response within 30 days of the date of the proposed letter of denial.

.04 Upon receipt of an applicant's written response, the Project Office will reconsider its proposed letter of denial. The Project Office may (1) withdraw its proposed letter of denial and admit the applicant into the 1040NR Program, or (2) finalize its proposed letter of denial and issue it to the applicant.

.05 If an applicant receives a final letter from the Project Office that denies the applicant participation in the 1040NR Program, the applicant is entitled to an appeal, in writing, to the Director of Practice.

.06 The appeal must be filed with the Project Office within 30 days of the date of the denial letter. An applicant's written appeal must contain a detailed explanation, with supporting documentation, of why the denial should be reversed. In addition, the applicant must include a copy of the applicant's Form MAR-8980 and a copy of the denial letter.

.07 The Project Office, upon receipt of a written appeal to the Director of Practice, will forward to the Director of Practice its file on the applicant and the materials described in section 13.06 that the applicant has submitted to the Project Office. The Project Office will forward to the Director of Practice these materials within 15 days of receipt of the applicant's appeal to the Director of Practice.

.08 Failure to respond within the 30-day periods described in sections 13.03 and 13.06 of this revenue procedure irrevocably terminates an applicant's right to an administrative review or appeal.

SECTION 14. ADMINISTRATIVE REVIEW PROCESS FOR SUSPENSION FROM THE 1040NR PROGRAM

.01 A 1040NR Filer who has been suspended from participation in the 1040NR Program has the right to an administrative review. During the administrative review process, the suspension remains in effect.

.02 If a 1040NR Filer receives a suspension letter from the Project Office, the 1040NR Filer is entitled to an appeal, in writing, to the Director of Practice.

.03 The 1040NR Filer must ensure that the Project Office receives the 1040NR Filer's written appeal for review by the Director of Practice within 30 days of the date of the suspension letter. The 1040NR Filer's written appeal for review must contain detailed reasons, with supporting documentation, for reversal of the suspension. In addition, the 1040NR Filer must include a copy of its Form MAR-8980 and a copy of the suspension letter.

.04 The Project Office, upon receipt of a written appeal to the Director of Practice, will forward to the Director of Practice its file on the 1040NR Filer and the material described in section 14.03 of this revenue procedure that the 1040NR Filer has submitted to the Project Office. The Project Office will forward to the Director of Practice these materials within 15 days of the receipt of a 1040NR Filer's written request for appeal.

.05 Failure to appeal within the 30-day period described in section 14.03 of this revenue procedure irrevocably

terminates a 1040NR Filer's right to appeal the decision to suspend the 1040NR Filer from participation in the 1040NR Program.

SECTION 15. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 95-22, 1995-1 C.B. 686, is superseded.

SECTION 16. EFFECTIVE DATE

This revenue procedure is effective May 31, 1996.

SECTION 17. PROJECT OFFICE INFORMATION

All questions regarding this revenue procedure should be directed to:

Internal Revenue Service
Philadelphia Service Center
ATTN: DP-115-Magnetic Media
Project Office

11601 Roosevelt Blvd.
Philadelphia, PA 19154
U.S.A.

The telephone number of this office is (215) 516-7533 (not a toll-free number) or 800-829-6945 (a toll-free number).

Part IV. Items of General Interest

Notice of Proposed Rulemaking and Notice of Public Hearing

Termination of a Partnership under Section 708(b)(1)(B)

PS-5-96

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking and notice of public hearing.

SUMMARY: This document contains proposed regulations relating to the termination of a partnership upon the sale or exchange of 50 percent or more of the total interest in partnership capital and profits. The proposed regulations affect all partners and partnerships that terminate under section 708(b)(1)(B).

DATES: Written comments and requests to speak (with outlines of oral comments) at a public hearing scheduled for September 5, 1996, must be received by August 15, 1996.

ADDRESSES: Send submissions to: CC:DOM:CORP:R (PS-5-96), Room 5228, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. In the alternative, submissions may be hand delivered between the hours of 8 a.m. and 5 p.m. to: CC:DOM:CORP:R (PS-5-96), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC. The public hearing will be held in the IRS Auditorium, Seventh Floor, 7400 Corridor, Internal Revenue Building, 1111 Constitution Avenue, NW., Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Steven R. Schneider, (202) 622-3060; concerning submissions and the hearing, Christina Vasquez, (202) 622-7190; (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Introduction

This document proposes to revise §1.708-1(b)(1)(iv) of the Income Tax

Regulations (26 CFR Part 1) under section 708(b)(1)(B) of the Internal Revenue Code (Code). This document also proposes revisions to other sections of the Income Tax Regulations to reflect the proposed revision to §1.708-1(b)(1)(iv).

Background

Section 708(b)(1)(B) provides that, for purposes of section 708(a), a partnership shall be considered terminated if within a 12-month period there is a sale or exchange of 50 percent or more of the total interest in partnership capital and profits. The Code and the legislative history to section 708(b)(1)(B) do not specify the tax consequences of that termination or the steps by which such a termination occurs.

However, §1.708-1(b)(1)(iv) of the Income Tax Regulations provides that, if a partnership is terminated by a sale or exchange of an interest, the following is deemed to occur: the partnership distributes its properties to the purchaser and the other remaining partners in proportion to their respective interests in the partnership properties; and, immediately thereafter, the purchaser and the other remaining partners contribute the properties to a new partnership, either for the continuation of the business or for its dissolution and winding up.

The distribution of property that is deemed to occur upon a termination under section 708(b)(1)(B) is treated like an actual distribution for federal tax purposes. As a result, a continuing partner may recognize gain under section 731(a) if the amount of money deemed distributed to the partner (including any money deemed distributed upon a shift in liabilities under section 752) exceeds the partner's basis in the partnership interest. In addition, the distribution may affect the basis of the partnership's assets because the basis of the distributed property in the hands of the partners (and thus in the hands of the reconstituted partnership) is determined under section 732(b) by reference to the partners' bases in their partnership interests. Another possible consequence of the deemed distribution is a change in the holding periods of the partners' interests in the partnership.

The deemed distribution of partnership property that occurs on a termination raises particular concerns with respect to the interaction of sections 708(b)(1)(B), 704(c), and 737. Section 704(c)(1)(A) requires that gain or loss with respect to property contributed to a partnership by a partner be shared among the partners so as to take into account any built-in gain or loss in the property at the time of the contribution. Section 704(c)(1)(B) provides that, if property contributed by a partner is distributed to another partner within five years, the contributing partner must recognize gain or loss in an amount equal to the gain or loss the partner would have been allocated under section 704(c)(1)(A) on a sale of the property by the partnership. Section 737 provides that, if property is distributed to a partner that had contributed other property to the partnership within five years, the distributee partner must recognize gain equal to the lesser of (i) the net precontribution gain on property contributed by the partner, or (ii) the excess of the value of the distributed property over the adjusted basis of the partner's interest in the partnership. Net precontribution gain is the net gain, if any, that would have been recognized by the distributee partner under section 704(c)(1)(B) if all partnership property contributed by the distributee partner within five years of the distribution had been distributed to another partner.

The legislative history of sections 704(c)(1)(B) and 737 indicates that Congress intended these sections to be coordinated with the rules governing partnership terminations under section 708(b)(1)(B). The legislative history states that such coordination will provide that (1) no gain is recognized under sections 704(c)(1)(B) and 737 as a result of a deemed distribution on termination; (2) the deemed distribution will not change the application of the sharing requirements of section 704(c) to precontribution gain or loss with respect to property contributed to the partnership before the termination; and (3) the constructive contribution of partnership property to a new partnership is treated as beginning a new five-year period for all contributed property to the extent that the pretermination appreciation in the value of property was not already required to be

allocated to the original contributor (if any) of the property. H.R. Rep. No. 247, 101st Cong., 1st Sess. 1355 (1989); H.R. Conf. Rep. No. 1018, 102d Cong., 2d Sess. 428 (1992). These results are difficult to integrate with the current regulations under section 708(b)(1)(B). The difficulty arises primarily because the section 708(b)(1)(B) regulations provide for a pro rata distribution of property to the partners, while the legislative history seems to contemplate that partnership property previously contributed to the partnership by a partner will be distributed to that partner, at least to the extent of the remaining built-in gain or loss in the property.

The IRS and Treasury Department recently issued final regulations under sections 704(c)(1)(B) and 737. Commentators, however, noted that the approach taken in the legislative history and the final regulations would not be required if the section 708(b)(1)(B) regulations did not create a deemed distribution of partnership property to the partners as part of a section 708(b)(1)(B) termination. The preamble to the final regulations indicated that the IRS and Treasury would consider issuing separate guidance on the interaction of sections 704(c) and 708(b)(1)(B) and invited additional comments and suggestions regarding the project.

Explanation of Provisions

The proposed regulations under section 708(b)(1)(B) provide that, if a partnership is terminated by a sale or exchange of an interest, the following is deemed to occur: the partnership transfers all of its assets and liabilities to a new partnership in exchange for an interest in the new partnership; immediately thereafter, the terminated partnership distributes interests in the new partnership to the purchasing partner and the other remaining partners in liquidation of the terminated partnership, either for the continuation of the business or for its dissolution and winding up.

Under the proposed regulations, a termination under section 708(b)(1)(B) will no longer result in a deemed distribution of the terminated partnership's assets to the purchasing and remaining partners. As a result, the federal tax consequences of a termination that result from the deemed distribution of assets will no longer

occur on a section 708(b)(1)(B) termination. Such consequences include the possibility of gain under section 731(a), a change in the partnership's basis in partnership property, and the commencement of a new five-year period for purposes of sections 704(c)(1)(B) and 737. In addition, the interaction between section 704(c) and section 708(b)(1)(B) is greatly simplified under the proposed regulation. The section 704(c) property held by the terminated partnership (and deemed contributed to a new partnership) will continue to be treated as section 704(c) property in the hands of the new partnership under §1.704-3(a)(9). A distribution of property by the new partnership will have the same effect for purposes of section 704(c)(1)(B) and section 737 as a distribution from the terminated partnership. See §§1.704-4(c)(4) and 1.737-2(b)(1) as proposed to be amended by this document.

The proposed regulations do not change the federal tax consequences of a termination under section 708(b)(1)(B) to the extent that the consequences were not dependent on the deemed distribution. Such consequences will continue under the proposed regulations. For example, the tax year of the terminated partnership will still close as a result of the termination, the elections of the terminated partnership will be invalidated, and a termination will continue to be treated as a liquidation under the section 704(b) regulations.

In addition, the proposed regulations will not change the effect of a termination on the depreciation of partnership property by the new partnership. Property deemed contributed to the new partnership will continue to be subject to the anti-churning provisions of section 168(f)(5), which generally require the new partnership to depreciate the property as if it were newly-acquired property under the same depreciation system used by the terminated partnership. This result is required by statute and is not affected by the specific mechanics of a termination under section 708(b)(1)(B). See Code sections 168(f)(5); 168(i)(7); 168(e)(4) and (f)(10) (repealed 1986).

This document also contains proposed regulations under sections 704(b), 704(c)(1)(B), 743(b), 737, and 761(e). These proposed regulations relate to the elimination of a deemed distribution of partnership assets as part

of a section 708(b)(1)(B) termination. The proposed regulations under section 704(b) will eliminate the reference to a deemed contribution of partnership property by the partners of the continuing partnership. The proposed regulations under sections 704(c)(1)(B) and 737 provide that a termination under section 708(b)(1)(B) does not commence a new five-year period for partnership property and that a distribution of property by the new partnership will be treated in the same manner as a distribution by the terminated partnership would have been treated. Although the legislative history suggests the beginning of a new five year period for built in gain or loss in the property deemed contributed to the new partnership, that legislative history was commenting on a deemed contribution of property by the partners to the new partnership, as then required by the section 708 regulations. Under the approach proposed in this regulation, a new five year period is no longer appropriate.

The proposed regulations under section 743(b) provide that any special basis adjustment a partner has in assets of the terminated partnership as a result of a section 754 election will carry over to the new partnership. The proposed regulations under section 761(e) provide that the distribution of interests in the new partnership by the terminated partnership is not treated as a sale or exchange of the interests in the new partnership. This provision is necessary to prevent the distribution of interests in the new partnership from causing a termination of the new partnership.

Proposed Effective Date

This section is proposed to apply to terminations of partnerships under section 708(b)(1)(B) occurring on or after the date on which these regulations are published as final regulations in the **Federal Register**.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in EO 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) and the Regulatory

Flexibility Act (5 U.S.C. chapter 6) do not apply to these regulations, and, therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (a signed original and eight (8) copies) that are timely submitted to the IRS. All comments will be available for public inspection and copying.

A public hearing has been scheduled for September 5, 1996, at 10 a.m. in the Auditorium of the Internal Revenue Building, 1111 Constitution Avenue NW., Washington, DC. Because of access restrictions, visitors will not be admitted beyond the Internal Revenue Building lobby more than 15 minutes before the hearing starts.

The rules of 26 CFR 601.601(a)(3) apply to the hearing.

Persons that wish to present oral comments at the hearing must submit written comments by August 15, 1996, and submit an outline of the topics to be discussed and the time to be devoted to each topic (signed original and eight (8) copies) by August 15, 1996.

A period of 10 minutes will be allotted to each person for making comments.

An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

Drafting Information

The principal author of these regulations is Steven R. Schneider of the Office of Assistant Chief Counsel (Passthroughs and Special Industries), IRS. However, other personnel from the IRS and Treasury Department participated in their development.

* * * * *

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

PART I—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805. * * *

Section 1.704-4 also issued under 26 U.S.C. 704(c). * * *

Par. 2. Section 1.704-1 is amended as follows:

1. Paragraph (b)(2)(iv)(I) is amended by removing the fourth sentence.

2. Paragraph (b)(5) *Example 13(v)* is amended by removing sentences five to the end and adding five new sentences in their place.

The revisions and addition read as follows:

§1.704-1 Partner's distributive share.

* * * * *

(b) * * *

(5) * * *

Example 13. * * *

(v) * * * In accordance with paragraph (b)(2)(iv)(e) of this section, the partnership agreement provides that the partners' capital accounts are adjusted to reflect how unrealized taxable gain would have been allocated if the property distributed to the partners in liquidation of the partnership (i.e., the interest in the new partnership constructively received by the terminated partnership under §1.708-1(b)(1)(iv)) had been sold for its fair market value of \$40,000. Accordingly, the \$18,000 of unrealized gain (\$40,000 less \$22,000 adjusted tax basis) is credited to the partners' capital accounts as follows:

	Z	LK
Capital account following sale	\$11,000	\$11,000
Deemed sale adjustment....	9,000	9,000
Capital account before constructive liquidation.....	\$20,000	\$20,000

Constructive liquidating distributions of the interests in the new partnership are made with reference to its \$40,000 fair market value. Under section 732(b), the adjusted tax basis of the 50 percent interest in the new partnership constructively distributed to Z is equal to the \$11,000 adjusted tax basis of Z's partnership interest before the constructive liquidation, and the adjusted tax basis of the 50 percent interest in the new partnership constructively distributed to LK is equal to the \$20,000 adjusted tax basis of LK's partnership interest before the constructive liquidation. Under paragraph (b)(2)(iv)(d) of this section, the capital account of the terminated partnership with respect to the

new partnership would be \$40,000 (i.e., the fair market value of the property constructively contributed to the new partnership by the terminated partnership). The capital accounts of Z and LK with respect to the constructively distributed interests in the new partnership are stated at \$20,000 (i.e., one-half of the \$40,000 capital account of the terminated partnership). This *Example 13(v)* applies to terminations of partnerships under section 708(b)(1)(B) occurring on or after the date on which these regulations are published as final regulations in the **Federal Register**.

* * * * *

Par. 3. Section 1.704-4 is amended by revising paragraphs (a)(4)(ii) and (c)(3) to read as follows:

§1.704-4 Distribution of contributed property.

(a) * * *

(4) * * *

(ii) *Section 708(b)(1)(B) terminations.* A termination of the partnership under section 708(b)(1)(B) does not begin a new five-year period for each partner with respect to the built-in gain and built-in loss property that the terminated partnership is deemed to contribute to a new partnership following the termination. See §1.704-3(a)-(3)(ii) for the definitions of built-in gain and built-in loss on section 704(c) property. This paragraph (a)(4)(ii) applies to terminations of partnerships under section 708(b)(1)(B) occurring on or after the date on which these regulations are published as final regulations in the **Federal Register**.

* * * * *

(c) * * *

(3) *Section 708(b)(1)(B) terminations.* Section 704(c)(1)(B) and this section do not apply to a deemed distribution of interests in a new partnership caused by a termination of a partnership under section 708(b)(1)(B). A subsequent distribution of section 704(c) property by the new partnership to a partner of the new partnership is subject to section 704(c)(1)(B) to the same extent that a distribution by the terminated partnership would have been subject to section 704(c)(1)(B). See also §1.737-2(a) for a similar rule in the context of section 737. This paragraph (c)(3) applies to terminations of partnerships under section 708(b)(1)(B) occurring on or after the date on which these

regulations are published as final regulations in the **Federal Register**.

* * * * *

Par. 4. In §1.708-1, paragraph (b)(1)(iv) is amended by removing the first sentence and adding two new sentences in its place to read as follows:

§1.708-1 Continuation of Partnership.

* * * * *

(b) * * *

(1) * * *

(iv) If a partnership is terminated by a sale or exchange of an interest, the following is deemed to occur: The partnership transfers all of its assets and liabilities to a new partnership in exchange for an interest in the new partnership; and, immediately thereafter, the terminated partnership distributes an interest in the new partnership to the purchasing partner and the other remaining partners in liquidation of the terminated partnership, either for the continuation of the business of the new partnership or for its dissolution and winding up. The first sentence of this paragraph (b)(1)(iv) applies to terminations of partnerships under section 708(b)(1)(B) occurring on or after the date on which these regulations are published as final regulations in the **Federal Register**.
* * *

* * * * *

Par. 5. Section 1.743-1 is amended by adding paragraph (d) as follows:

§1.743-1 Optional adjustment to basis of partnership property.

* * * * *

(d) *Section 708(b)(1)(B) terminations.* A partner with a special basis

adjustment in property held by a partnership that terminates under section 708(b)(1)(B) will continue to have the same special basis adjustment with respect to property contributed by the terminated partnership to the new partnership under §1.708-1(b)(1)(iv). This paragraph (d) applies to terminations of partnerships under section 708(b)(1)(B) occurring on or after the date on which these regulations are published as final regulations in the **Federal Register**.

Par. 6. In §1.737-2, paragraph (a) is revised to read as follows:

§1.737-2 Exceptions and special rules.

(a) *Section 708(b)(1)(B) terminations.* Section 737 and this section do not apply to a deemed distribution of interests in a new partnership caused by a termination of a partnership under section 708(b)(1)(B). A subsequent distribution of section 704(c) property by the new partnership to a partner of the new partnership is subject to section 737 to the same extent that a distribution by the terminated partnership would have been subject to section 737. See also §1.704-4(c)(3) for a similar rule in the context of section 704(c)(1)(B). This paragraph (a) applies to terminations of partnerships under section 708(b)(1)(B) occurring on or after the date on which these regulations are published as final regulations in the **Federal Register**.

* * * * *

Par 7. In §1.761-1, paragraph (e) is added to read as follows:

§1.761-1 Terms defined.

* * * * *

(e) *Distribution of partnership inter-*

est. For purposes of section 708(b)(1)(B) and §1.708-1(b)(1)(iv), the distribution of an interest in a new partnership by a partnership that terminates under section 708(b)(1)(B) is not a sale or exchange of an interest in the new partnership. This paragraph (e) applies to terminations of partnerships under section 708(b)(1)(B) occurring on or after the date on which these regulations are published as final regulations in the **Federal Register**.

Margaret Milner Richardson,
Commissioner of Internal Revenue.

(Filed by the Office of the Federal Register on May 9, 1996, 8:45 a.m., and published in the issue of the Federal Register for May 13, 1996, 61 F.R. 21985)

Information Reporting Seminars

Announcement 96-57

Representatives from the Martinsburg Computing Center, Information Returns Branch, will conduct seminars in 13 cities during the months of August and September. They will cover the latest magnetic/electronic filing of Forms 1099, 1098, 5498, and W-2G information, backup withholding and penalties relating to the filing of information returns. A representative from Internal Revenue Service/International will discuss the filing of Form 1042-S.

Following is a schedule of seminar sites and dates, as well as the telephone numbers of the Internal Revenue Service offices closest to the sites. Please contact these Internal Revenue Service offices after July 22 for the exact location and times. **The agenda for the day has also been included for your convenience.**

1996 Information Reporting Seminars

<i>Sites</i>	<i>Dates</i>	<i>Telephone Numbers</i>
Atlanta GA	9/10-11	(404)331-3808
Baltimore MD	8/20	(410)962-2402
Boston MA	9/25	(617)424-5310
Chicago IL	9/24-25	(312)886-1572
Cincinnati OH	9/17-18	(513)684-2828
Dallas TX	8/27-28	(214)767-3755
Denver CO	8/29	(303)446-1667
Los Angeles CA	8/28-29	(304)263-8700
Minneapolis MN	9/26	(612)290-3320
New York NY	9/26	(212)436-1023
Seattle WA	8/27	(206)220-5803
St. Louis MO	9/19	(314)539-2161
Tampa FL	9/12	(904)232-2514

AGENDA

MORNING SESSION

IRS/MARTINSBURG COMPUTING CENTER

9:00a Welcome
 Magnetic Media and Electronic Filing of
 Forms 1099, 1098, 5498, & W-2G
 Backup Withholding and Penalties

IRS/INTERNATIONAL

10:45a Form 1042-S
 12:00p LUNCH

AFTERNOON SESSION

SOCIAL SECURITY ADMINISTRATION

1:00p W-2 Magnetic Media

ATTENTION PAPER FILERS:

The 1099/W-2 sessions are geared toward the magnetic media/electronic filer, and attendees should expect presentations to highlight that filing only. **No tax law representative will be present to answer questions.**

The Form 1042-S presentation will be structured to educate withholding agents on the special rules that apply to individuals who are not U.S. citizens or resident aliens, and how to report that information to the recipient and IRS.

Determination of Interest Expense Deduction of Foreign Corporations; Correction

Announcement 96-58

AGENCY: Internal Revenue Service
(IRS), Treasury.

ACTION: Correction to final
regulations.

SUMMARY: This document contain
corrections to final regulations [TD
8658 [1996-14 I.R.B. 13]] which were
published in the **Federal Register** for
Friday, March 8, 1996 (61 FR 9326).
The final regulations relate to the

determination of the interest expense
deduction of foreign corporations and
apply to foreign corporations engaged
in a trade or business within the United
States.

EFFECTIVE DATE: June 6, 1996.

FOR FURTHER INFORMATION
CONTACT: Ahmad Pirasteh or
Richard Hoge (202) 622-3870 (not a
toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations that are subject
to these corrections are under sections

882, 864(e), 988(d), and 7701(l) of the
Internal Revenue Code.

Need for Correction

As published, the final regulations
[TD 8658] contain errors that are in
need of clarification.

Correction of Publication

Accordingly, the publication of final
regulations which are the subject of FR
Doc. 96-5262 is corrected as follows:

§ 1.882-0 [Corrected]

1. On page 9329, column 1,
§ 1.882-0, the section heading entry

for § 1.882-1, “§ 1.882-1 Taxation of foreign corporations engaged in U.S. business or of foreign corporations treated as having effectively connected income.” is corrected to read “§ 1.882-1 Taxation of foreign corporations engaged in U.S. business or of foreign corporations treated as having effectively connected income.”.

§ 1.882-5 [Corrected]

2. On page 9330, column 3, § 1.882-5, paragraph (a)(6), line 7 from the bottom of the paragraph, the language “respect to U.S.-booked liabilities that” is corrected to read “respect to U.S. booked liabilities that”.

3. On page 9331, column 1, § 1.882-5, paragraph (a)(8), paragraph (ii) of *Example 1*, line 12, the language “(c)(2)(vi), and (d)(2)(vii) or (e)(1)(ii) this” is corrected to read “(c)(2)(vi), and (d)(2)(vii) or (e)(1)(ii) of this”.

4. On page 9332, column 2, § 1.882-5, paragraph (b)(3), last four lines of the paragraph, the language “less frequently than monthly by a large bank (as defined in section 585(c)(2)) and semi-annually by any other taxpayer” is corrected to read “less frequently than monthly (beginning of taxable year and monthly thereafter) by a large bank (as defined in section 585(c)(2)) and semi-annually (beginning, middle and end of taxable year) by any other taxpayer”.

5. On page 9332, column 2, § 1.882-5, paragraph (c)(2)(i), lines 3 and 2 from the bottom of the paragraph, the language “annually by a large bank (as defined in section 585(c)(2)) and annually by any” is corrected to read “annually (beginning, middle and end of taxable year) by a large bank (as defined in section 585(c)(2)) and annually (beginning and end of taxable year) by any”.

6. On page 9334, column 3, § 1.882-5, paragraph (d)(6), paragraph (i) of *Example 1*, the table

	Value	
Asset 1	\$2,000	
Asset 2	2,500	
Asset 3	5,500	
	Amount	Interest
Liability 1	\$800	56
Liability 2	3,200	256
Capital	6,000	0

is corrected to read

	Value	
Asset 1	\$2,000	
Asset 2	2,500	
Asset 3	5,500	
	Amount	Interest Expense
Liability 1	\$800	56
Liability 2	3,200	256
Capital	6,000	0

Michael L. Slaughter,
Acting Chief, Regulations Unit,
Assistant Chief Counsel (Corporate).

(Filed by the Office of the Federal Register on April 9, 1996, 8:45 a.m., and published in the issue of the Federal Register for April 10, 1996, 61 F.R. 15891)

Foundations Status of Certain Organizations

Announcement 96-59

The following organizations have failed to establish or have been unable to maintain their status as public charities or as operating foundations. Accordingly, grantors and contributors may not, after this date, rely on previous rulings or designations in the Cumulative List of Organizations (Publication 78), or on the presumption arising from the filing of notices under section 508(b) of the Code. This listing does *not* indicate that the organizations have lost their status as organizations described in section 501(c)(3), eligible to receive deductible contributions.

Former Public Charities. The following organizations (which have been treated as organizations that are not private foundations described in section 509(a) of the Code) are now classified as private foundations:

Alliance of Youth and Industry,
Chicago, IL
Ancient Egyptian Museum Inc.,
Chicago, IL
Animal Advocates Inc., Chicago, IL
Apples of Gold Outreach Center Inc.,
Hartland, WI
Aurora Life Education Center Corp.,
Aurora, IL
Bayou Brigade Washington Battalion,
Beach Park, IL

Bend Lake Search and Rescue Assoc.
Inc., Benton, IL
Big Game Theater, Chicago, IL
Brady County Water District, Brady,
MT
Bright Beginnings Childcare Inc.,
Aledo, IL
Broadway Childrens Center, Chicago,
IL
Capital Soccer Association, Lincoln,
NE
Carrollton Farmers Branch Insurance
Agents Assoc., Carrollton, TX
Center for the Study of Great Ideas,
Chicago, IL
Center High School Booster Club
Inc., Kansas City, MO
Chicago 1994 Bid Committee,
Chicago, IL
Clay County Adult Literacy Council,
Inc., Henrietta, TX
Clowns for Kids Charity, Palatine, IL
Club Impulse Inc., McCook, NE
Coalition for the Homeless of
Northwest Cook County, Chicago,
IL
Colorado Rural Job Training
Foundation Inc., Denver, CO
Common Bread Ministry,
Minneapolis, MN
Community Action Group, Chicago,
IL
Community Business Assoc. of
Nebraska Inc., Lincoln, NE
Concert Singers Chorale Inc.,
Chicago, IL
Dickinson Public Library Foundation,
Dickinson, ND
Dunbar Vocational High School
Alumni Assoc., Chicago, IL
Elmwood-Murdock Education,
Murdock, NE
Family Information & Referral
Center, Albert Lea, MN
Friends of H S Family Ed Prog Inc.,
Boyceville, WI
Geeta Ashram of Chicago Inc.,
Floosmoor, IL
Guttenberg Heritage Society,
Guttenberg, IA
Herman Town Senior Community
Center, Herman Town, MN
Hinkley Softball Assoc. Inc., Brook
Park, MN
Illinois Academic Decathlon Assoc.,
Chicago, IL
Illinois Association of Teacher
Educators, Mt. Vernon, IL

Illinois Drill Team Assoc., Olympia Fields, IL	Opportunities for Access, Mt. Vernon, IL	Theater By Design, Chicago, IL
Interpret Inc., Helena, MT	Osseo Area School District No. 279 Foundation, Maple Grove, MN	Tomorrows Future Inc., Kansas City, MO
Jesus Never Fails Pentocostal Church, Chicago, IL	Pathways International, New Brighton, MN	Valley & Lakes Education District (VAL-ED), Fergus Falls, MN
Jodie Bailey and Friends Inc., St. Louis, MO	Peoria Area Literacy Coalition, Peoria, IL	Wabash Valley Arts Council Inc., Mt. Carmel, IL
Johnson County Area Council on Child Abuse and Neglect, Iowa City, IA	Public Interest Law Foundation, Champaign, IL	Wawokiya Ospaya Inc., Rapid City, SD
Kansas City Camerata Inc., Kansas City, MO	Quad Cities in Schools, Rock Island, IL	Western Cass Fire Fighters Assoc., Cleveland, MO
Korean-American Cultural Foundation, St. Louis, MO	Rainbow Project, McLaughlin, SD	West of the Moon Theatre Company, Minneapolis, MN
Learning and Educational Alliance of Rogers Park Neighborhood, Chicago, IL	Rape Crisis Center of Mid Central IL, Inc., Bloomington, IL	Westside Health Authority, Chicago, IL
Littleville Preschool and Kindergarten III, Dixmoor, IL	Ray and Rosetta Doerhoff Scholarship Trust, St. Elizabeth, MO	Weston Arts Coalition, Weston, MO
Metropolitan Employment & Rehabilitation Service, Belleville, IL	Ben Brandt Chamber Players Inc., Evanston, IL	White Fish Baseball Inc., White Fish, MT
Minneapolis Area Among Mutual Assistance Association, Minneapolis, MN	Rotary Club of Glenview Charitable Foundation, Glenview, IL	Wisconsin Women in Government Inc., Madison, WI
Mississippi County Transit System Inc., East Prairie, MO	Rosciuszko Community Center Advisory Board, Milwaukee, WI	Womens Consortium, St. Louis, MO
Moline Babe Ruth Baseball League, Moline, IL	Richmond Beautification Club, Richmond, MO	Working Church, Chicago, IL
Mt. Vernon Humane Center Inc., Mt. Vernon, IL	Samaritan Inn Foundation, Milwaukee, WI	Young Footlites Childrens Theatre Inc., Iowa City, IA
National Organization for Fetal Alcohol Syndrome, Rapid City, SD	Sangamon Valley Youth Symphony, Springfield, IL	Youth Law Foundation, St. Louis, MO
National Youth Volleyball Assoc., Palatine, IL	Soag Corp., Chicago, IL	
North End Community Center, East St. Louis, MO	South Shore Philharmonic Orchestra, Chicago, IL	
Northern Choice Volleyball Club Inc., Roseau, WI	Springfield Music Foundation Inc., Springfield, MO	
North Dakota Environmental Health Assoc., Bismarck, ND	St. Louis Youth Corps Experience, University City, MO	
Oak Lawn-Home Town School District, Oak-Lawn, IL	Tallgrass Prairie Audubon Society, Grinnell, IA	
	Team Elmhurst Soccer Club, Elm Hurst, IL	
	Technology Learning Center Inc., Milwaukee, WI	

If an organization listed above submits information that warrants the renewal of its classification as a public charity or as a private operating foundation, the Internal Revenue Service will issue a ruling or determination letter with the revised classification as to foundation status. Grantors and contributors may thereafter rely upon such ruling or determination letter as provided in section 1.509(a)-7 of the Income Tax Regulations. It is not the practice of the Service to announce such revised classification of foundation status in the Internal Revenue Bulletin.

Announcement of the Disbarment, Suspension, or Consent to Voluntary Suspension of Attorneys, Certified Public Accountants, Enrolled Agents and Enrolled Actuaries From Practice Before the Internal Revenue Service

Under 31 Code of Federal Regulations, Part 10, an attorney, certified public accountant, enrolled agent or enrolled actuary, in order to avoid the institution or conclusion of a proceeding for his disbarment or suspension from practice before the Internal Revenue Service, may offer his consent to suspension from such practice. The Director of Practice, in his discretion, may suspend an attorney, certified public accountant, enrolled agent or enrolled actuary in accordance with the consent offered.

Attorneys, certified public accountants, enrolled agents and enrolled actuaries are prohibited in any Internal

Revenue Service matter from directly or indirectly employing, accepting assistance from, being employed by, or sharing fees with, any practitioner disbarred or suspended from practice before the Internal Revenue Service.

To enable attorneys, certified public accountants, enrolled agents and enrolled actuaries to identify practitioners under consent suspension from practice before the Internal Revenue Service, the Director of Practice will announce in the Internal Revenue Bulletin the names and addresses of practitioners who have been suspended from such practice, their designation as attor-

ney, certified public accountant, enrolled agent or enrolled actuary and date or period of suspension. This announcement will appear in the weekly Bulletin at the earliest practicable date after such action and will continue to appear in the weekly Bulletins for five successive weeks or for as many weeks as is practicable for each attorney, certified public accountant, enrolled agent or enrolled actuary so suspended and will be consolidated and published in the Cumulative Bulletin.

The following individuals have been placed under consent suspension from practice before the Internal Revenue Service:

Name	Address	Designation	Date of Suspension
Behrens, William	Kenosha, WI	Enrolled Agent	March 6, 1996 to May 5, 1996
Warter, J. Christopher	South Bend, IN	Attorney	Indefinite from March 8, 1996
Leckie, Jerry B.	Macon, GA	Enrolled Agent	March 9, 1996 to March 8, 1999
Retzlaff, Gene	Hortonville, WI	Enrolled Agent	March 18, 1996 to July 17, 1996
Cahill, Donal	Stratford, CT	Attorney	April 4, 1996 to April 3, 1997
Guidera, George C.	Straford, CT	Attorney	April 11, 1996 to October 10, 1996
Kirk, Gregg T.	Dallas, TX	CPA	Indefinite from May 1, 1996
Brock, Guy Charles	Spokane, WA	CPA	Indefinite from May 1, 1996
Mathews, Thomas	Cincinnati, OH	CPA	May 1, 1996 to August 31, 1996
Farnsworth Jr., Harold	Starke, FL	CPA	May 1, 1996 to April 30, 1998
King, John C.	Wichita, KS	Attorney	May 1, 1996 to August 31, 1996

Announcement of the Expedited Suspension of Attorneys, Certified Public Accountants, Enrolled Agents, and Enrolled Actuaries From Practice Before the Internal Revenue Service

Under title 31 of the Code of Federal Regulations, section 10.76, the Director of Practice is authorized to immediately suspend from practice before the Internal Revenue Service any practitioner who, within five years, from the date the expedited proceeding is instituted, (1) has had a license to practice as an attorney, certified public accountant, or actuary suspended or revoked for cause; or (2) has been convicted of any crime under title 26 of the United States Code or, of a felony under title 18 of the United States Code involving dishonesty or breach of trust.

Attorneys, certified public accountants, enrolled agents, and enrolled actuaries are prohibited in any Internal

Revenue Service matter from directly or indirectly employing, accepting assistance from, being employed by, or sharing fees with, any practitioner disbarred or suspended from practice before the Internal Revenue Service.

To enable attorneys, certified public accountants, enrolled agents, and enrolled actuaries to identify practitioners under expedited suspension from practice before the Internal Revenue Service, the Director of Practice will announce in the Internal Revenue Bulletin the names and addresses of practitioners who have been suspended from such practice, their designation as attorney, certified public accountant, enrolled

agent, or enrolled actuary, and date or period of suspension. This announcement will appear in the weekly Bulletin at the earliest practicable date after such action and will continue to appear in the weekly Bulletins for five successive weeks or for as many weeks as is practicable for each attorney, certified public accountant, enrolled agent, or enrolled actuary so suspended and will be consolidated and published in the Cumulative Bulletin.

The following individuals have been placed under suspension from practice before the Internal Revenue Service by virtue of the expedited proceeding provisions of the applicable regulations:

Name	Address	Designation	Date of Suspension
Noske, Joan M.	Richmond, MN	CPA	Indefinite from March 1, 1996
Wahl, Roger W.	Martinez, GA	CPA	Indefinite from March 1, 1996
Stojanov, Dragan	Detroit, MI	Attorney	Indefinite from March 13, 1996
Gay, Randall D.	Honolulu, HI	CPA	Indefinite from March 13, 1996
Sheffey, Ralph	LaCrosse, WI	Attorney	Indefinite from March 13, 1996
Doyle, Robert	Sacramento, CA	CPA	Indefinite from March 19, 1996
Singer, Michael G.	Minnetonka, MN	Attorney	Indefinite from March 19, 1996
Mohme, Robert H.	St. Louis, MO	Attorney	Indefinite from March 20, 1996
Vogelei, George Mac	Novato, CA	Attorney	Indefinite from March 20, 1996
Gaskins, Oscar N.	Cherry Hill, NJ	Attorney	Indefinite from March 26, 1996
Gawel, Michael S.	Niagara Falls, NY	Attorney	Indefinite from March 29, 1996

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A and B, the prior

ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in law or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in the new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings.

If the new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C.—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.

E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contribution Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign Corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.

PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statements of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

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¹A cumulative list of all Revenue Rulings, Revenue Procedures, Treasury Decisions, etc., published in Internal Revenue Bulletins 1995–27 through 1995–52 will be found in Internal Revenue Bulletin 1996–1, dated January 2, 1996.